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Tariff maze bleeding economy: PIDE

Think tank warns protectionist policies cost billions; urges phasing out of high duties for a simpler, pro-growth regime

By Khaleeq Kiani

ISLAMABAD: Pakistan's existing protectionist and overly complex tariff system is costing the economy billions of dollars annually, and bold reforms to end these trade barriers can boost exports by 14 per cent, according to a public sector think tank.

In a policy advice to the government, Pakistan Institute of Development Economists (PIDE), a think tank under the Planning Commission, said the current tariff system was overly complex, eroding industrial competitiveness, raising consumer costs, and deterring investment.

"Despite past reforms, it continues to protect inefficiency and limit integration into global value chains," it said, calling for urgent action to transform tariffs from a barrier into a driver of growth.

It advocated moving decisively toward a simpler, transparent, and export-oriented tariff regime by rationalising rates, removing distortive exemptions, and aligning policy with long-term industrial and trade goals.

Effective implementation of these reforms will unlock export potential, attract investment in high-value sectors, lower hidden costs, and strengthen fiscal outcomes, it said. The cost of inaction is rising, but timely reform can reshape Pakistan's economic trajectory for decades, it added.

According to the study "Rationalising Pakistan's Tariff Regime for Export-Led Growth", Pakistan's tariff regime — dominated by Regulatory Duties (RDs), Additional Customs Duties (ACDs), and 5th Schedule exemptions — had long protected inefficiency, distorted price signals, and raised production costs. As a result, both manufacturers and consumers face inflated costs, while export-oriented industries are handicapped by an anti-export bias. "Every additional year under the current tariff system slows export growth, raises production costs, and deepens the trade deficit. Pakistan can no longer afford this inefficiency," warned Dr Uzma Zia, lead author of the study.

In contrast, bold implementation of the National Tariff Policy (2025-30) can transform Pakistan's trade landscape by boosting exports, strengthening industrial competitiveness, lowering inflation, and integrating the country more deeply into global value chains. The rewards of timely reform are far greater than a transparent, efficient, and growth-oriented tariff regime that underpins sustainable industrial development and long-term prosperity. "It is therefore imperative that Pakistan must act now to simplify tariffs, eliminate distortions, and align trade policy with a forward-looking vision of export-led growth", it said.

The study noted that the upcoming National Tariff Policy (NTP) 2025-30 provided a clear roadmap for reform, aiming to eliminate ACDs within four years and RDs within five, while transitioning products from the 5th Schedule to the 1st Schedule. If implemented effectively, PIDE projects that the new policy could increase exports by 10-14pc, strengthen industrial competitiveness, and reduce the trade deficit — while lowering inflation through reduced input costs.

To achieve these outcomes, the PIDE study recommends a comprehensive rationalisation of the customs duty structure from five slabs to four (0, 5pc, 10pc, and 15pc) within five years, alongside a complete phase-out of tariff peaks exceeding 20pc. Duties should be harmonised by product category — lowest on raw materials, moderate on intermediates, and highest on consumer goods — to promote industrial upgrading and attract investment in high-value sectors.

In addition, the study proposed aligning auto-sector tariffs with competitiveness and consumer choice under the Automotive Industry Development and Export Plan, including duty reductions, removal of ACDs and RDs, and allowing controlled import of used vehicles under strict quality and environmental standards.

The study cautioned that resistance from protectionist industries and external shocks, such as commodity price volatility and exchange rate shifts, could slow progress. However, it emphasised that the cost of inaction is far higher — in lost investment opportunities, stagnant exports, and persistent consumer hardship.Pide concluded that Pakistan now stands at a pivotal moment: by embracing tariff rationalisation and aligning trade policy with competitiveness and global integration, the country can transition from revenue-driven protectionism to export-led, sustainable growth.

Private sector borrowing surges Rs806bn

After years of sluggish credit demand, firms return to banks

By Shahid Iqbal

KARACHI: After three years of sluggish activity, the private sector has suddenly changed course, borrowing Rs806.3 billion from banks in the last fortnight of October.

Despite the policy rate falling from 22 per cent to 11pc, businesses had remained hesitant to seek credit, demanding deeper cuts to narrow the gap between inflation and borrowing costs. Just two months ago, the real interest rate was close to 8pc.

However, a new wave of inflation has disrupted the recent period of price stability, with the Consumer Price Index (CPI) rising to 6.2pc in October, prompting a shift in borrowing sentiment.

The State Bank of Pakistan (SBP), in its recent reports, criticised commercial banks for their excessive investment in risk-free government securities, which allowed them to earn easy profits. The central bank has repeatedly urged banks to step up lending to the private sector to revive growth, as sluggish economic activity has deepened poverty and joblessness.

Until recently, most businesses had been reluctant to borrow even after the rate cuts. But in the last 15 days of October, private credit picked up strongly, moving from debt retirement to fresh borrowing. During July-Nov 1 FY26, bank lending to the private sector was significantly higher than the Rs66bn recorded during the same period last fiscal year.

Speaking at the 22nd Annual Excellence Awards Ceremony organised by the CFA Society Pakistan on Monday, SBP Governor Jameel Ahmad acknowledged a persistent gap in credit and investment needs. "This gap can be met through continued efforts to improve capital market infrastructure and governance, develop alternative investment products, expand digital access and simplify procedures," he said.

The private sector's inactivity over the past three years has been a major drag on growth. The economy grew by 2.6pc in FY25, later revised to 3pc, with total private sector borrowing at Rs1.081tr — more than double the Rs513bn recorded in FY24.

In the first four months of FY26, conventional banks lent Rs344bn, compared with a Rs68bn debt retirement in the same period last year. Islamic banks extended Rs318.5bn, against a Rs16.5bn net retirement previously, while Islamic windows of conventional banks lent Rs143.7bn, slightly below last year's Rs151bn.

Watchdog moves to recover fines from LDI firms

By Kalbe Ali

ISLAMABAD: The Competition Commission of Pakistan (CCP) has intensified efforts to recover penalties imposed on Long Distance International (LDI) operators involved in the International Clearing House (ICH) cartel, even as several firms contest the decision in the Supreme Court.

In its latest action, the CCP has recovered Rs19 million from Multinet (Pvt) Ltd and Rs1.4m from Voice Communications, bringing total recoveries in the ICH case to Rs772m. The commission reaffirmed its commitment to ensuring full recovery from all penalised telecom operators.

The penalties stem from a 2012 investigation that found 14 LDI companies guilty of forming a cartel under the ICH arrangement, which eliminated competition in the international telephony market.

Under the ICH setup, all incoming international calls were routed through a single gateway managed by Pakistan Telecommunication Company Ltd (PTCL), resulting in fixed high termination rates and reduced market efficiency.

The Competition Appellate Tribunal (CAT) later upheld the CCP's findings of cartelisation and abuse of dominance, while revising the penalty to two per cent of revenues earned through the ICH arrangement.

Following the tribunal's decision, the CCP initiated recovery proceedings against PTCL, Multinet Pakistan, 4B Gentel International, Wi-tribe Pakistan, Dancom Pakistan, Wise Communication System, Worldcall Telecom, ADG (Pvt) Ltd, LinkdotNet Telecom, Telecard, Circle Net Communications, Wateen Telecom, Redtone Telecommunications, and Telenor LDI Communications.Although several companies have appealed to the Supreme Court, the CCP said there is no restraining order preventing recovery, and that it will continue enforcement "strictly in accordance with law."

LAHORE: Farmers thresh rice using traditional methods on Monday. Pakistan's rice exports dropped by 28 per cent in the first quarter of FY26 — to 712,797 tonnes from 991,146 tonnes — raising concerns within the sector over policy and regulatory hurdles hampering competitiveness. —APP

BISP payments to go digital from Ramazan, says PM

10m digital wallets to be activated this month

By Mubarak Zeb Khan

ISLAMABAD: Prime Minister Shehbaz Sharif on Monday announced that financial assistance under the Benazir Income Support Programme (BISP) will be disbursed through digital wallets starting this Ramazan — a step he described as the beginning of a "new chapter" in Pakistan's transition towards a cashless economy.

Chairing a meeting to review progress on digitalisation of payments, the premier said that the adoption of digital systems would help ensure sustainable economic growth, improve governance, and curb corruption.

An official statement said the prime minister was briefed on the operationalisation of 10 million digital wallets under BISP set to be completed by the end of this month.

Highlighting global trends, Mr Sharif said Pakistan must align itself with the world's rapid shift towards digital economies. "Digital payments will enhance transparency and efficiency while reducing corruption," he noted, adding that the government's early focus on digital transformation was now producing tangible results.

The meeting was informed that payment of electricity and gas bills is now being facilitated through Raast QR codes, enabling billions of rupees in digital transactions. The mobile application for government services in Islamabad has also been integrated with Raast, while the issuance of new business licences has been linked to digital payment systems.

QR codes have been introduced at retail outlets to promote electronic transactions.

The participants also reviewed progress on the licensing of digital banks, a key component of the broader financial inclusion strategy.

The prime minister praised the Finance Ministry, the Ministry of IT, Federal Board of Revenue (FBR), State Bank of Pakistan, and other stakeholders for their "commendable" work, but directed that all economic targets for the cashless transition be achieved within the defined timelines.

He noted that 68 per cent of Pakistan's population has now achieved financial inclusion, instructing officials to further expand this coverage.The meeting was attended by federal ministers Ahad Khan Cheema, Muhammad Aurangzeb, Attaullah Tarar, Shaza Fatima Khawaja, Bilal Azhar Kayani, along with State Bank Governor Jameel Ahmad, NADRA Chairman Lt Gen Muhammad Munir Afzal, and FBR Chairman Rashid Mahmood Langrial.

Oil edges lower amid supply glut

NEW YORK: Oil prices edged lower on Monday as analysts stuck to predictions that rising supply will outweigh demand in the months ahead, even if further sanctions against Russia curb exports from that country.

Brent crude futures fell 18 cents, or around 0.3 per cent, to $63.45 a barrel by 11:11 a.m. ET (1611 GMT). US West Texas Intermediate crude dropped 21 cents, or 0.4pc, to $59.54 a barrel.

Both benchmarks fell about 2pc last week, their second consecutive weekly decline, on expectations that crude oil supply will exceed demand in the months ahead due to higher Opec+ production and record US output. Doubts over the effectiveness of the latest US sanctions against Russia are also weighing on crude prices.

"Although the US has stepped up direct sanctions on Russian oil producers Rosneft and Lukoil, it's not clear how effective they will be in limiting Russian exports," independent energy analyst Tim Evans said.

This month Opec+, the Organisation of the Petroleum Exporting Countries and allied producers, agreed to increase output slightly in December.

While the group also paused further hikes in the first quarter, that may not limit supplies enough to support prices.

"Even with the prospect of reduced Russian supply and the 1Q26 freeze on Opec+ production quotas, the global crude oil market may run a smaller supply/demand surplus rather than a more supportive deficit," Evans said.

Crude inventories are also on the rise in the US while the volume of oil stored aboard ships in Asian waters has doubled in recent weeks after tightening Western sanctions curtailed imports into China and India.—Reuters

FBR makes e-filing of tax returns mandatory

By Our Staff Reporter

ISLAMABAD: The Federal Board of Revenue (FBR) has abolished manual income tax returns, making it mandatory for all individuals to file their income tax returns and withholding statements electronically.

The directive was issued through SRO 2107 of 2025, notified on Monday. The FBR had released a draft of the amendment last week to seek feedback from stakeholders before final approval.

The amendment, introduced under Rule 73 of the Income Tax Rules 2002, adds a new sub-rule (2DD) that requires individuals to submit their returns and withholding statements exclusively through electronic means.

According to the notification, manual filing will no longer be accepted, as the move aims to enhance transparency, improve compliance, and streamline the tax filing process nationwide.

KCA advisory committee

By Our Staff Reporter

KARACHI: Six licensed cotton brokers from the Naseem Usman Panel have been elected as members of the Brokers Advisory Committee of the Karachi Cotton Association (KCA) for the 2025-26 term.

According to a press release, the elected members include Muhammad Naseem Usman, Chairman of the Karachi Cotton Brokers' Association (KCBF); Chandar Lal, Vice Chairman; Muhammad Aamir Osawala, Secretary; Syed Taqi Abbas, Joint Secretary; Abbas Jalil Khan, Treasurer; and Abdul Jalil Khan, Public Relations Officer.

US DOLLAR	BUYING Rs281.35 SELLING Rs281.85	EURO	BUYING Rs324.54 SELLING Rs327.73
GBP	BUYING Rs369.31 SELLING Rs373.01	UAE DIRHAM	BUYING Rs76.61 SELLING Rs77.40
KSA RIYAL	BUYING Rs74.95 SELLING Rs75.59	GOLD	TOLA Rs429,862 10 GMS Rs368,530

PSX crosses 161,000 on renewed confidence

By Muhammad Kashif

KARACHI: The Pakistan Stock Exchange (PSX) extended its bullish momentum on Monday, propelling the benchmark KSE-100 index beyond the 161,000-point barrier as investors continued aggressive buying across the board on renewed optimism.

According to Topline Securities Ltd, the index climbed to an intraday high of 2,288 points before settling at 161,538.41, gaining 1,945.50 points, or 1.22 per cent. The surge was largely driven by a resurgence of investor confidence following the Economic Coordination Committee's (ECC) approval of a comprehensive inter-corporate circular debt settlement plan.

Adding further impetus, the ECC sanctioned Rs660 billion in sovereign guarantees against Rs1.225 trillion in commercial loans to tackle the mounting circular debt. It also approved the diversion of gas supplies to fertiliser plants — a move that triggered broad-based buying, particularly in energy and fertiliser counters.

Index-heavyweights Engro Holdings, Fauji Fertiliser, Engro Fertiliser, Oil and Gas Development Company, and Pakistan Petroleum led the rally, collectively contributing 1,243 points to the index. In contrast, Pakistan Services, United Bank, AGP Ltd, and Meezan Bank collectively trimmed 199 points from the benchmark.

Investor participation improved slightly over the previous session, with traded volume rising 1.88pc to 780 million shares, while traded value jumped 18.34pc to Rs36.3 billion. First National Equities Ltd topped the volume chart with 73.7m shares.

Ali Najib, Deputy Head of Trading at Arif Habib Ltd, said that after three consecutive sessions below 160,000 points, the PSX had "regained its consolidation zone of 160,000-170,000." He attributed the uptrend to the federal cabinet's approval of the 27th Constitutional Amendment, which helped ease political uncertainty, alongside the ECC's gas supply decision — both key drivers of investor confidence.

On the macroeconomic front, Pakistan recorded its highest-ever quarterly budget and primary surplus, with a budget surplus of Rs2.119 trillion (1.6pc of GDP) in the first quarter of FY26.Analysts noted that with the 160,000 level now acting as strong support, market sentiment remains upbeat, with attention firmly on the 165,000 mark for a potential breakout later this week.

PAKISTAN STOCK EXCHANGE

THE TOP FIVERS

GAINERS		LOSERS		LEADERS*	
Unilever Foods	360.13	PIA Holding CoB	1507.77	First Nat'l Equities	73.70
Exide Pakistan	59.32	Pakistan Services	89.45	Kohinoor Spinning	54.80
ZIL Limited	40.00	Supernet Techno	71.77	Bank Makramah	49.12
Attock Refinery	38.44	Sapphire Textile	33.64	Bank of Punjab	41.41
Dawood Law	27.66	Pak Engineering	32.53	Worldcall Telecom	37.40

(Share values in rupees) * Volume in millions of traded shares

INDICATORS

	Monday	Previous	Change
KSE 100-SHARE INDEX (Points)	161,538.41	159,592.90	▲ 1,945.50
KSE 30-SHARE INDEX (Points)	48,967.51	48,297.59	▲ 669.92
MARKET CAPITAL (Rs billion)	18,471.148	18,286.833	▲ 184.314
TRADING VALUE (Rs billion)	36.372	30.735	▲ 5.637

ACTIVITY

Total listed	532
Active	477
Gainers	136
Losers	292

PARTICIPANTS

Foreign	▼$2.60m
Companies	▼$0.14m
Banks	▼$0.42m
Mutual Funds	▲$3.19m
Individuals	▼$0.10m